

**CITY OF HOQUIAM**  
**Grays Harbor County, Washington**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. Annual Financial Reports Should Be Prepared And Submitted Within The Prescribed Reporting Period

The city is required to prepare an annual financial report which presents the city's financial position and results of operations for each calendar year. The report should be submitted to the State Auditor's Office by May 30 of the following year. The City of Hoquiam did not file its 1994 annual report until January 1996.

RCW 43.09.230 states in part:

The State Auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each year . . .

Such reports shall be prepared, certified, and filed . . . within one hundred fifty days after the close of each fiscal year.

Untimely financial reports restrict the access of financial information to the city commission, the public, and state and federal agencies; it also delays the State Auditor's Office in compiling statistical and financial information required by the state Legislature.

The late filing is attributed to the city not applying sufficient resources to the financial statement preparation process.

We recommend the city ensure annual reports are submitted in a timely manner.

2. Internal Controls Over Fixed Assets Should Be Improved

In prior audits, we have recommended that the city develop a comprehensive system of accounting for general fixed assets and improve its detailed fixed asset records. The following improvements were noted during the current audit:

- A comprehensive physical inventory of fixed assets, including land, buildings, machinery, and equipment was completed. During the physical inventory, the assets were properly identified with city identification and property numbers.
- The detail information on individual assets by historical cost and location was entered into the general fixed asset subsidiary ledger for land and buildings.

City officials, while beginning the process, have not yet completed the system to provide adequate control over general fixed assets. Currently, the following areas need improvement:

- The city does not have an established uniform fixed asset capitalization policy, nor has it established requirements for departmental physical inventories.
- A physical inventory needs to be done on improvements.
- The detail information collected on the machinery and equipment needs to be entered into the general fixed asset subsidiary ledger.
- The subsidiary ledger should be reconciled to the general ledger control account in a timely manner.

Both the *Budgeting, Accounting and Reporting System (BARS)* manual, as promulgated by the State Auditor's Office and prescribed for Washington cities, and generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board, require accounting for and reporting of fixed assets. Without adequate detail supporting records, the city lacks the ability to adequately safeguard and report these assets.

The inadequate general fixed asset accounting system is attributed to insufficient resources being allocated to remedy these ongoing internal control deficiencies.

We again recommend that accounting controls over fixed assets be improved. The city officials should continue with the progress made during the last few years, and do the following:

- a. Establish a uniform capitalization policy for fixed assets purchased by the city.
- b. Complete the comprehensive physical inventory of improvements.
- c. Complete the detail information on the general fixed asset subsidiary ledger for machinery, equipment, and improvements.
- d. Reconcile the subsidiary ledger to the general ledger control account.